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Industrial Development Board

Twenty-seventh session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 26 August 2003, at 3 p.m.

President: Mr. GONZALEZ ANINAT (Chile)
Later: Mr. EL-LAITHY (Egypt)

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The meeting was called to order at 3.25 p.m.

ORGANIZATION OF WORK

1. **The PRESIDENT** proposed that the Board should once again decide to suspend rule 32 of the rules of procedure regarding the quorum, except for meetings at which substantive decisions were to be taken. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which could be waived if no representative of a member of the Board objected. If he heard no objection, he would assume that the Board wished to suspend rule 32.

2. *It was so decided.*

3. **The PRESIDENT** said the Bureau had recommended that the Board should continue the practice of holding informal consultations on draft decisions, so that a consensus could be reached on them before they were submitted to the plenary. The Bureau had further recommended that Ms. Ramis-Plum (France) should chair the informal consultations.

4. *It was so decided.*

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 2002 ON THE ACTIVITIES OF THE ORGANIZATION (IDB.27/2 and Add.1)

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (IDB.27/12)

(a) **INTERIM REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2002-2003** (IDB.27/2, IDB.27/6 and IDB.27/8)

(b) **FINANCIAL SITUATION OF UNIDO** (IDB.27/10; IDB.27/CRP.7)

(c) **SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES** (IDB.27/7 and Add.1)

(d) **WORKING CAPITAL FUND FOR THE BIENNIUM 2004-2005** (IDB.27/4)

(e) **FINANCING OF UNIDO PROGRAMMES, INCLUDING NEW INITIATIVES FOR FUNDS MOBILIZATION** (IDB.27/2)

(f) **TRANSITION TO A SINGLE-CURRENCY SYSTEM** (IDB.27/9)

(g) **FOLLOW-UP TO REPORT OF THE EXTERNAL AUDITOR FOR THE BIENNIUM 2000-2001** (IDB.27/6)

(h) **APPOINTMENT OF AN EXTERNAL AUDITOR** (IDB.27/5 and Add.1; IDB.27/CRP.2)

PROGRAMME AND BUDGETS, 2004-2005 (IDB.27/3)

5. **Mr. URRUELA PRADO** (Guatemala), speaking on behalf of the Group of 77 and China, said that the tragic bombing of the United Nations headquarters building in Baghdad should not prevent UNIDO from pursuing its programmes and projects in Iraq.

6. He supported the Organization's efforts to play a key role in defining and implementing international strategies to alleviate poverty by integrating them into action for sustainable growth in the developing countries. UNIDO's involvement in those activities had enhanced its profile within the United Nations system and in the international community as a leading development organization.

7. He urged UNIDO to capitalize further on its position as an executing agency of the Global Environment Facility (GEF) through a more focused and realistic approach to programme design, planning, assessment and implementation.

8. He appreciated the participation of UNIDO in major international conferences in 2002 and the initiatives presented at those conferences, which would assist in mobilizing funds for technical cooperation and benefit programme implementation. He welcomed the approval of six new integrated programmes and country service frameworks in 2002, but expressed concern at the continued lack of sufficient funding for project implementation. UNIDO should strengthen collective efforts among all stakeholders to enhance effective implementation through appropriate and timely fund provision.

9. Action to achieve more result-oriented UNIDO management would create a healthier operational environment and strengthen accountability and efficiency. He noted improved performance in evaluation to measure the efficiency and effectiveness of the programme; such positive trends should be maintained and enhanced.

10. He commended UNIDO on the increase in technical cooperation (TC) delivery per staff member and in the leverage ratio (the amount of TC services delivered for one dollar of regular and operational budget). However, TC delivery figures and percentage increases remained minimal, and he called on the Organization to redouble its efforts to enhance delivery.

11. Turning to agenda item 4, he said that he agreed with the External Auditor that the new Office of the Comptroller General should formally adopt the Professional Practices Framework of the Institute of

Internal Auditors and apply the standards concerned in all internal oversight activities. He hoped that the Internal Oversight Group (IOG) would advise UNIDO on improving its performance, that all levels of management would reach a better understanding of IOG's role and that the shortcomings of the previous IOG would be remedied by the new Office of the Comptroller General.

12. He hoped that the favourable trend in the rate of collection of assessed contributions would lead to an improvement in service delivery. He urged the 50 Member States that were still without voting rights either to settle their dues or to draw up payment plans, and called on former Member States that were still in arrears to fulfil their constitutional obligations. Noting the positive response by the United States of America, he requested the Secretariat to continue its efforts in that regard. He was optimistic that former Members would eventually return to the fold.

13. The increase in TC project and programme approvals in 2002 reflected an external donor response to UNIDO's more focused approach. The maintenance of the level of funding from the Industrial Development Fund was a source of satisfaction, as was the increase in trust fund financing and the gradual increase in the level of voluntary contributions by major donor Governments.

14. It was encouraging to note that net approvals from GEF sources during 2002 came to double the 2001 level. He hoped that Member States would support UNIDO in the GEF governing bodies. UNIDO should also endeavour to consolidate its credentials as a trustworthy partner and executing agency for such projects. It should further seek to obtain a greater share of United Nations Development Programme (UNDP) Target Resource Assignment from Core (TRAC) funds.

15. Turning to item 5, he supported conclusion 2003/3 of the Programme and Budget Committee (PBC) contained in document IDB.27/12. With regard to the budgets for the 2004-2005 biennium, he emphasized the priority accorded to the implementation of TC programmes in the developing countries. He supported the Secretariat's efforts for fund mobilization through voluntary contributions and additional sources, including new initiatives, and encouraged all Member States to contribute to such efforts. He welcomed the establishment of an informal consultative group on the mobilization of resources as an important step in that direction.

16. **Mr. MORENO** (Italy), speaking on behalf of the European Union and the acceding and associated countries, welcomed the Director-General's efforts to strengthen UNIDO, both administratively, with the streamlining of the service modules and the organizational restructuring, and in terms of technical cooperation, with the expansion of the integrated programmes approach and the setting of strategic guidelines. He also welcomed the thematic initiatives and global forum activities undertaken in 2002. At the same time, the European Union encouraged UNIDO to continue its efforts to reach a level of excellence that could attract new members and further strengthen its position in the international development community. The Annual Report could better serve the purpose of publicizing the increased efficiency of UNIDO as an organization if it included less descriptive and more future-oriented elements. The Report would also benefit from greater transparency in presenting the Organization's funding sources.

17. The European Union welcomed the current healthy financial situation and appreciated the efforts of the Secretariat and Member States in that regard. It requested all Member States to pay their contributions in full and on time and urged Member States in arrears to settle their accounts or, as a last resort, to negotiate payment plans. It supported the Director-General's continued discussions with the United States Government on the settlement of its arrears.

18. The European Union welcomed the substantial increase in the delivery of technical cooperation in 2002 and hoped that the increased level of voluntary contributions would lead to a further improvement in the level of TC delivery. It would appreciate greater visibility of voluntary contributions, as a fundamental source of funding for the Organization's TC activities, in the Annual Report.

19. In pursuance of its core mandate of helping the developing countries to break the poverty chain through sustainable and environmentally sound industrial development, UNIDO should continue to focus on delivering high-quality activities that contributed to the Millennium Development Goals, and make a realistic assessment of resources likely to be available, including through a widened donor base, to ensure that programme development matched resources. The European Union awaited with interest the findings of the informal consultative group on financial resources, whose work on financial and policy issues should be without prejudice to the constitutional role of the PBC and the Board. The consultative group should look in particular at ways of increasing UNIDO's resources, for instance by attracting new Member States, obtaining resources from other multilateral funds and encouraging the recovery of arrears. It should also study how to attract predictable and stable voluntary contributions from new and innovative sources.

20. On the issue of the External Auditor, a balance should be struck between regular rotation and effective auditing. As it took time for a new External Auditor to

acquire a sound understanding of an organization, changing the incumbent after one term might not be cost-effective. The European Union hoped that that would be taken into account in deciding on the External Auditor for the next biennium.

21. **Mr. URRUELA PRADO** (Guatemala), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that the outrageous terrorist attack on the headquarters of the United Nations in Baghdad should not be allowed to affect the implementation of UNIDO's programmes in Iraq.

22. The Annual Report for 2002 (IDB.27/2) portrayed a consolidated Organization that was a leading actor in the promotion of sustainable industrial development. GRULAC reiterated its support for UNIDO's participation in international development forums, particularly the Monterrey International Conference on Financing for Development, at which the Organization had launched the trade facilitation initiative, the World Summit on Sustainable Development in Johannesburg and the forthcoming World Summit on the Information Society. In that context, the Group supported the programme to facilitate access to markets for Central America, which was already producing beneficial results.

23. GRULAC urged UNIDO to continue implementing and strengthening integrated industrial development programmes. The Regional Programme on Technology Foresight for Latin America and the Caribbean was fostering interaction, communication and cooperation among all actors engaged in technological innovation in the region and would make it easier for policy makers to identify national industrial priorities so as to improve access for value-added products to regional and international markets.

24. GRULAC supported the conclusions contained in the report of the Programme and Budget Committee on its nineteenth session (IDB.27/12). It called on Member States to pay their assessed contributions on time and former Member States to settle their arrears. To that end, it urged the Programme and Budget Committee to provide Member States as soon as possible with a detailed progress report on measures to recover outstanding debt, indicating the sums involved.

25. With regard to agenda item 5, GRULAC supported PBC conclusion 2003/3 set forth in document IDB.27/12. It drew attention to the problem of financing UNIDO programmes and stressed the priority given to technical cooperation programmes in developing countries. The Group stressed the need, however, for UNIDO to provide more recourses for technical cooperation projects in Latin America and the Caribbean. It welcomed the establishment of a programme to coordinate funds mobilization, as well as the setting up of an informal consultative group on funds mobilization.

26. **Mr. RAO** (India), speaking on behalf of the Asian Group, welcomed the continued efforts being made to transform UNIDO into a key player among international development organizations, reinforcing its comparative advantage and affirming its role as an executing agency of the Global Environment Facility. Its active involvement in major international conferences in 2002, particularly the International Conference on Financing for Development and the World Summit on Sustainable Development, was appreciated. The initiatives presented at those conferences were part of UNIDO's efforts to mobilize funds for technical cooperation and the effective implementation of programmes.

27. The Asian Group welcomed UNIDO's increased programme delivery in Asia and the Pacific region. Increased approval of integrated programmes (IPs) and country service frameworks (CSFs) should not be an end in itself but an intermediary step towards effective implementation, which should be pursued further through collaborative actions among all stakeholders.

28. With regard to UNIDO's support to small and medium enterprises (SMEs), he said that the "triple bottom line" demonstration project undertaken in four Asian countries had demonstrated that SMEs could improve their environmental and social performance in a financially advantageous manner. The project could have wider use and applicability in the context of corporate social responsibility (CSR) for the SME sector. The most important barrier to adoption of CSR on a larger scale was a perceived lack of direct financial benefit and an anticipated increase in operating cost. UNIDO should focus on projects that would identify SME sectors in the developing world where improvements in CSR would lead to clear improvements in productivity and sales; it should help to develop well-defined and realistic approaches to CSR for SMEs in the developing world, provide SMEs with training and tools and facilitate business linkages.

29. The Group had been encouraged by further improvements in results-based management through the "Balanced Scorecard" approach; that would increase accountability and accentuate the results of UNIDO's organizational reform. UNIDO's efforts to improve performance were welcome, and the Group hoped that the performance of subcontractors could be improved. The increase in programme efficiency and effectiveness revealed by independent evaluations was encouraging, and the Group hoped that the trend could be maintained. The Group also commended UNIDO on the increase in TC delivery per staff member and in the leverage ratio, which had reached the highest level since 1996.

30. Turning to agenda item 4, he asked the Secretariat to clearly define the working relationship between the External Auditor and the Office of the Comptroller General so as to avoid duplication of tasks and set out clear lines of monitoring responsibility. The Group welcomed the External Auditor's suggestions on results-based management, including the establishment of reliable performance indicators, and regarding staff learning and the general information technology control environment. The Group was pleased that the recommendations of previous audits were being followed up and trusted that the next report of the External Auditor would include detailed information on the results achieved in that regard.

31. While welcoming the gradual improvement in the financial situation of UNIDO, the Group was concerned about the decline in the operational budget and strongly urged the Secretariat to take the necessary steps to improve technical cooperation delivery. It was pleased to note that, by the end of 2003, the operating reserve was expected to be restored to its 2001 level and welcomed the higher implementation rate in terms of regular budget net expenditures. It was glad to note that the higher than budgeted increases in salaries and related costs had been offset by maintaining higher vacancy rates.

32. The Group was concerned that the voting rights of 50 Member States remained suspended at the end of 2002 due to non-payment of dues. Efforts to secure the outstanding contributions must continue. He requested the Secretariat to provide more information on the effectiveness of the incentives and disincentives in place in other organizations of the United Nations system regarding the payment of contributions. The Secretariat should continue to explore innovative repayment schemes to address the issue of arrears.

33. The increased funding through trust fund mechanisms and the gradual increase in voluntary contributions attested to UNIDO's enhanced profile. The Group appreciated UNIDO's efforts to obtain increased GEF funding. Increased funding from GEF and other international organizations would enhance UNIDO's efforts to mobilize resources. Effective measures should therefore be undertaken to upgrade UNIDO's status in its cooperation with GEF.

34. The Group also appreciated UNIDO's initiatives on rural energy for productive use, launched at the World Summit on Sustainable Development, and on enabling developing countries to participate in international trade, launched during the International Conference on Financing for Development. The establishment of trust funds for those initiatives would be welcome.

35. The Group unanimously supported the candidature of Mr. Carague from the Philippine Commission on Audit for the position of External Auditor of UNIDO.

36. With regard to item 5, the Group reiterated the importance of UNIDO's technical cooperation delivery for sustainable industrial development. The quantity and quality of such delivery should be further improved. Lastly, the Group welcomed the establishment of the working group on voluntary contributions, which it hoped would result in increased contributions in the interests of technical cooperation delivery.

37. **Mr. HENDAOUI** (Tunisia), speaking on behalf of the African Group, welcomed UNIDO's increased involvement in international development. Its role as an executing agency of GEF should lead to innovative ways of addressing industrial development issues, particularly in Africa. UNIDO must capitalize on its new relationship with GEF through a more focused and realistic approach in the programme process, achievable through financial accountability, efficiency and value for money. It must give a full account of its comparative advantage and bias towards industrial development. The Group would appreciate a review of UNIDO's approach to integrated programmes in Africa to ensure that the necessary emphasis was being placed on activities to enhance industrial development, capacity-building and job creation and to alleviate poverty.

38. UNIDO's active participation in major international conferences was welcome. The Group requested the Secretariat to provide, during the General Conference session, an impact assessment concerning the new thematic initiatives presented. It would appreciate further information on measures taken to promote trade facilitation and the production of rural energy for productive use.

39. The Group welcomed UNIDO's effective use of the Geneva, New York and Addis Ababa offices in enhancing its multidimensional approach to the industrial development agenda. Those offices should be utilized for fund mobilization through active and targeted interaction with Member States.

40. The lack of funding for technical cooperation projects directly affected service delivery and effective implementation. UNIDO should intensify collaboration with all stakeholders, donors and recipients to enhance effective implementation of projects. The improvements in UNIDO's management should improve performance, accountability and efficiency, and the African Group welcomed the creation of the Programme Development and Technical Cooperation Division (PTC). The division was under financial stress, and he requested the Director-General to ensure that pipeline projects were

provided with sufficient financial resources for delivery of technical cooperation to Africa.

41. The Group welcomed the External Auditor's observations, and agreed with the recommendation that the newly created Office of the Comptroller General should adopt the Professional Practices Framework of the Institute of Internal Auditors.

42. Turning to the financial situation of UNIDO, he said that the Group welcomed the improved rate of collection of assessed contributions, which it hoped would be accompanied by a further improvement in service delivery for technical cooperation. Former Members of UNIDO should fulfil their constitutional obligations by settling their outstanding arrears, thus improving the Organization's financial situation, and he called upon the Secretariat to consult with former Members in that regard. The Group was concerned that 50 States had lost their voting rights, and encouraged the States concerned to make arrangements with the Secretariat to settle their arrears.

43. Turning to the financing of UNIDO programmes, he said that the Group hoped that the trend towards an increase in technical cooperation approvals from all sources of funds would continue. While cost-sharing and the commitment of Governments was vital for the success of integrated programmes, caution should be exercised to avoid burdening Member States. The Group welcomed the voluntary contributions made by Governments to trust funds to support UNIDO's programmes, and the proactive approach taken by UNIDO in pooling resources from other multilateral funding mechanisms. It noted that net approvals from GEF sources had risen in 2002. Mobilization of funds should be coordinated and tailored to the demands and requirements of UNIDO's programme. It welcomed thematic partnerships for mobilizing financial resources, and would follow up on the two important initiatives launched at Monterrey and Johannesburg to ensure that tangible results were achieved.

44. The Group wished to confirm its unequivocal support for the reappointment of Mr. Fakie, Auditor-General of South Africa, as External Auditor. It also supported PBC conclusion 2003/3 regarding the programme and budget for 2004-2005. It commended the establishment of the working group on voluntary contributions, which would help to ensure that the cuts in the recommended budgets for 2004-2005 did not negatively affect UNIDO service delivery. Efficiency gains should be sought in the implementation of the budgets. It was also essential that technical cooperation programmes should be adequately funded. UNIDO should intensify the use of field offices for the mobilization of funds. The performance assessment of field representatives and team leaders should include activities undertaken for funds mobilization. The Group welcomed the establishment of a programme aimed at coordinating the mobilization of funds for UNIDO activities, and of an informal consultative group on the mobilization of resources.

45. **Mr. KYEREMATEN** (Ghana) said that UNIDO's programmes and activities should contribute significantly to the development of the countries of the South. The reforms and organizational changes in the Organization had enhanced its efficiency, enabling it to become a major player on the development stage. He appreciated UNIDO's activities to assist countries in implementing integrated programmes; its regional activities, particularly those concerning the Economic Community for West African States (ECOWAS), were welcome, and he called for donor support for the joint UNIDO/ECOWAS market access initiative.

46. He was grateful for UNIDO's focus on assisting Africa in attaining the Millennium Development Goals. Ghana had taken certain policy decisions to increase capacity utilization and the provision of credit to the private sector. It appreciated UNIDO's ongoing activities to facilitate implementation of the Stockholm Convention on Persistent Organic Pollutants, and welcomed efforts to ensure food quality and safety in food processing companies in Africa as a whole and in Ghana in particular.

47. Investment promotion was of particular importance to Ghana, and he hoped that the investment forum to be held in Accra in November under the auspices of UNIDO and the Ghana Investment Promotion Centre would help to promote Ghana as an attractive and investment-friendly location for business. UNIDO was to be commended for its investment and technology promotion training package in Ghana, and further UNIDO training activities in Ghana would be highly appreciated. He would like to see an increase in the number of fellowships awarded to Ghanaians. Ghana looked forward to UNIDO's assistance in identifying donors prepared to assist the country in exploiting the lucrative opportunities offered by the global bamboo industry.

48. Africa and the least developed countries continued to be marginalized by the competition engendered by globalization. Growth prospects had been weakened by the continued negative effects of low commodity prices, while crude oil prices had soared in the run-up to the war in Iraq. Drought and armed conflicts in some parts of the region had exacerbated the situation further. He commended UNIDO on finding windows of opportunity for investment in sub-Saharan Africa. At least five of the 53 countries in Africa had achieved the seven per cent growth rate required to meet the Millennium Development Goals. His Government appreciated UNIDO's positive contribution to Africa's economic growth.

49. Efforts should be made at the domestic level to reduce armed conflicts in Africa. He urged other continents to complement Africa's efforts and assist in that continent's renaissance.

50. **Mr. BERDENNIKOV** (Russian Federation) said that the Annual Report for 2002 showed that the Organization was improving the effectiveness of the services it provided and enhancing its role within the United Nations system, thereby contributing towards the attainment of the Millennium Development Goals. He noted with satisfaction its success in collecting contributions and in mobilizing resources for programme activities. Also welcome was its increased cooperation with GEF and the Bretton Woods institutions. However, in order to mobilize the necessary resources, technology and expertise, greater cooperation with the private sector was required, in particular with those companies that had subscribed to the Global Compact launched by the Secretary-General of the United Nations. Advantage should be taken of the Organization's main advantages in order to make its services more attractive to external donors. While integrated programmes and country service frameworks should remain the core of UNIDO's technical cooperation activities, a limited number of thematic initiatives could be launched for the provision of specialized assistance to developing countries and economies in transition.

51. He welcomed global forum activities and advocated further strategic research at the national and regional levels directed towards making development cooperation more effective. Notwithstanding the Secretariat's efforts thus far, the process of decentralization and strengthening of field offices was making slow progress. Efforts must be stepped up to ensure greater UNIDO representation in the field, inter alia, by redistributing staff between UNIDO Headquarters and field offices, encouraging more active representation work and broadening the scope of the offices' activities from national to regional level. He agreed with the Director-General that the staff were the Organization's main resource and supported the further development of the Human Resources Management Framework (HRMF), as a result of which the productivity of staff had increased significantly. An effort should also be made to reduce the number of vacancies in the Secretariat and cut down on "L-category" posts at Headquarters.

52. In its future work, UNIDO must focus on the objectives and priorities set forth in the Business Plan as well as in the strategic guidelines adopted at the previous session of the Board, while tailoring its services and delivery thereof to suit the changing requirements of Member States. He endorsed the proposed programme and budgets for 2004-2005, as amended to reflect the views expressed by delegations at the session of the Programme and Budget Committee; the Board should recommend their approval by the General Conference.

53. **Mr. ZHANG Yan** (China) said that, in 2002, bold reforms had been introduced in the administration of UNIDO and global forum activities had been stepped up. He was convinced that the Director-General would live up to the expectations of Member States and lead the Organization on to greater success. He welcomed the unprecedentedly high collection rate, which was expected to increase further in 2003. The confidence of Member States was increasing. However, arrears remained a problem, with a resulting shortfall in income which placed constraints on the Organization's activities. New methods of resource mobilization must therefore be sought. China welcomed the launching of the "thematic initiatives" relating to facilitating trade and market access for developing countries and renewable sources of energy. It would actively participate in the informal consultative groups that had been set up.

54. In recent years, the Chinese Government had endeavoured to increase its contributions to the International Development Fund and had undertaken cooperation projects with UNIDO in areas such as sustainable sources of energy, investment promotion, information technology and biomedicine. It stood ready to strengthen cooperation in those areas. It supported the holding of the Global Biotechnology Forum and was ready to host a regional preparatory meeting for the Asia and Pacific region. China had always actively participated in the Organization's technical cooperation activities: recent successes included projects under the Montreal Protocol and with funds from the Global Environment Facility. The rapid economic growth and technological progress in China in the last 20 years made it possible to offer technical cooperation to other developing countries. Technology centres specializing in a number of spheres had been set up in China with international assistance. He hoped that UNIDO would consider taking advantage of China's technology, resources and expertise in the implementation of integrated programmes and country service frameworks, in the context of South-South cooperation.

55. A World Economic Forum China Business Summit would be held in November 2003 in Beijing to promote trade and cooperation between Chinese and foreign enterprises and to follow up on the Millennium Declaration. It would be attended by high-level politicians from China and the special administrative regions, leading economists, directors of international organizations and more than a thousand foreign and Chinese executives. He hoped that UNIDO would participate in the event and take advantage of the opportunity to strengthen its cooperation with China and enhance its reputation in the international development field.

56. **Mr. MARQUEZ MARIN** (Venezuela) said that his Government was making determined efforts to establish a diversified and competitive economy through the development of SMEs, which not only guaranteed sustainable growth but also helped to ensure a better quality of life for the majority of the population. Venezuela had benefited from increasing cooperation with UNIDO in recent years, concerning, inter alia, mercury pollution abatement, the development of agro-industry and the wood industry, investment promotion, exports and technology. It was planned to set up a unit to monitor the performance of the national production system in order to improve public policies relating to production development. It was also proposed to promote regional projects through cooperation between UNIDO and the National Bank for Social and Economic Development.

57. With respect to the medium-term programme framework, 2002-2005, he noted UNIDO's efforts in the areas of support for SMEs, the promotion of South-South cooperation, the strengthening of industrial capacities of developing countries and the promotion of investment and technology transfer, but considered that the resources involved should be better distributed.

58. Venezuela shared the Organization's concern about the need to step up activities relating to cleaner production and renewable and alternative sources of energy and the importance of biotechnology and technology foresight. It commended UNIDO and the host country, Chile, for the organization of the Global Biotechnology Forum. It was to be hoped that the Forum would result in initiatives that would further cooperation with developing countries in technological capacity-building, while preserving biodiversity and traditional knowledge.

59. UNIDO must serve as a forum for debate concerning the fight against poverty in developing countries. He therefore endorsed the Director-General's initiative in favour of round tables on key topics of the international economic agenda, especially those relating to the need to build a new economic order which would permit sustainable and geographically balanced development, with a view to eliminating the poverty and inequalities that threatened peace and governability.

60. *Mr. El-Laithy (Egypt) took the Chair.*

61. **Mr. JENKINS** (United Kingdom) expressed appreciation for the Annual Report for 2002 (IDB.27/2) as well as for the paper that had been distributed concerning UNIDO's corporate strategy, which testified to the Director-General's grasp of the forces shaping the global economy and UNIDO's role in that connection. Regarding recent United Kingdom activities of relevance to the work of the Organization, he said that the United Kingdom had been instrumental in establishing the Renewable Energy and Energy Efficiency Partnership (REEEP) at the Johannesburg World Summit on Sustainable Development. The aim of REEEP was to expand the global market for renewable energy and energy-efficient technologies. He hoped that the Director-General would be present at the formal launching of REEEP in London in October. Thereafter a permanent REEEP secretariat would be established in Vienna. He was confident that the close link between the objectives of REEEP and UNIDO's work would lead to growing cooperation between the two organizations.

62. In August 2003, at the invitation of the United Kingdom's Department for International Development, UNIDO had made a presentation at a seminar entitled "Moving Forward the Standards Agenda". He hoped that UNIDO would be encouraged to develop its ties with the World Bank, which was leading inter-agency coordination on the implementation of a major standards-related capacity-building programme. He hoped that recent discussions between UNIDO and the World Trade Organization (WTO) on the possible launching of a joint programme on trade-related technical cooperation would lead to the signing of a memorandum of understanding (MOU) at the upcoming Fifth WTO Ministerial Conference. The MOU would provide a solid basis for partnership between the two agencies and help developing countries, especially the least developed, to take better advantage of access to European Union markets. A further example of cooperation with UNIDO was its selection as partner for the execution and design of the cluster development component of the programme to implement the Government of Orissa's industrial policy in India.

63. Human resources were an organization's greatest asset, and the United Kingdom had fostered cooperation with the UNIDO Human Resources Branch. Several management development courses for senior staff had been financed by the United Kingdom; a course for UNIDO representatives in Asia and Latin America would take place in September in Bangkok; three further courses supported by the United Kingdom would be held in Austria in 2003.

64. The United Kingdom had always supported efforts to enhance UNIDO performance evaluation and welcomed the imminent implementation of a holistic and results-based management system. He hoped UNIDO would accord the work high priority and looked forward to further cooperation with the Organization, in particular with the Comptroller General's Office.

65. Turning to the matters on the agenda of the current session, he welcomed the realistic budget proposed for 2004-2005, which would enable UNIDO to make a relevant and cost-effective contribution to the international development agenda. It showed the willingness

of Member States to support an organization that had the courage to undertake modernization and reform. The programme and budget document (IDB.27/3) gave a clear and concise account of proposed activities and the performance indicators to be used. Further refinements of that approach in future years would be welcome.

66. He expressed concern about prospects for the Global Biotechnology Forum. It was not clear how preparations for the event were going or whether there was adequate agreement that it should focus on aspects of biotechnology relevant to UNIDO's mandate, especially how biotechnology could help developing countries enhance the value of their food-processing industries. Member States must take advantage of the current session to give clear directives and impart momentum to the preparations.

67. He endorsed the Secretariat's aim of refining the field network to improve its impact and integration into the United Nations system. He doubted whether Member States were best placed to advise UNIDO on where it should have field offices; nevertheless, there was a strong case for UNIDO strengthening its regional offices and consolidating its country offices, particularly where the former could link up with the activities of other regional organizations and bilateral donors and where country programmes could be managed more cost-effectively without field offices. He supported the Director-General's initiative to delegate more programmatic authority to the field, which should enhance UNIDO's profile in United Nations Country Teams. According to the document on field representation (IDB.27/21), priority would be given to internal candidates in the selection of UNIDO Representatives. However, he believed that, for regional offices, outside candidates who had the necessary diplomatic skills and experience of technical cooperation delivery should be considered. He looked forward to the presentations in the Board on the report of the Joint Inspection Unit on administration and management in UNIDO, which he had found somewhat varied in quality. He was grateful to the Secretariat and Director-General for having produced a comprehensive response in such a short time. Informal meetings with the Secretariat in the coming weeks would undoubtedly help Member States to develop their thinking on the issues raised.

68. **Mr. SAHINBAS** (Turkey) said that he welcomed the steps taken by the Secretariat regarding administrative matters and technical cooperation activities with a view to improving the efficiency of the Organization and the services provided—a process which should be continued. The steady rise in technical cooperation project approvals and the increase in resources through voluntary contributions and multilateral funds like GEF were positive developments. Also welcome was donor support for the thematic initiatives on trade facilitation and renewable energy. He noted the Secretariat's acknowledgment of the need to improve technical cooperation performance reporting and the establishment of a working group to that end, as well as information in document IDB.27/21 on review and adjustment work relating to integrated programmes and country service frameworks. The successful implementation of IPs depended on adequate funding. When drawing up an IP, it was therefore important to make a realistic funding plan and ensure commitment at country level.

69. Turning to activities carried out by Turkey during 2002 that related to UNIDO's work, he said that the Turkey-UNIDO regional project to develop SMEs had been successfully implemented in Kyrgyzstan and Uzbekistan, with business units now operational in the capital cities. At the request of the Government of Azerbaijan, the project document had been revised to include pre-feasibility studies for the establishment of a business incubator and an industrial estate in Baku.

70. Preparations were under way for a training seminar in Turkey from 8 to 12 December 2003 on technology foresight for Black Sea Economic Cooperation (BSEC) countries and newly independent States (NIS), with financial support from the Hungarian Government. It was aimed at professionals responsible for organizing and conducting national and regional foresight activities. It would provide participants with basic knowledge regarding the application of technology foresight tools in strategic decision-making on technological development, modalities of implementation of technology foresight initiatives and technology foresight experience and prospects in BSEC countries and NIS.

71. Turkey had designated UNIDO as GEF implementing agency for activities under the Stockholm Convention on Persistent Organic Pollutants. UNIDO had also contributed to the implementation of Montreal Protocol projects in Turkey.

72. With regard to field activities, Turkey had always supported the decentralization process, since field representation was an important component of technical cooperation activities. It continued to finance 70 per cent of the annual expenses of the UNIDO Centre for Regional Industrial Cooperation in Ankara. He stressed the important role played by UNIDO Headquarters in mobilizing funds for projects to be implemented through that Centre.

73. Referring to agenda item 4, he said that well-functioning systems for performance management and comprehensive evaluation were essential for the successful implementation of programmes and improving the quality of services to be delivered by UNIDO, and were an incentive for donors to provide funds. As for the financial situation, while he welcomed

the high collection rate and improvement in financial stability, the deficit in the operational budget was a matter of concern. Measures should be taken to improve the balance in the operational budget to cover the cost of project implementation services rendered.

74. With respect to item 5, he wished to highlight the importance of technical cooperation activities in poverty alleviation and sustainable industrial development. He trusted that, as foreseen in PBC conclusion 2003/3, the Secretariat would maintain the quantity and quality of technical cooperation delivery while continuing to seek efficiency gains in the implementation of the programme and budgets. He hoped that the working group on voluntary contributions would be able to help the Secretariat to enhance delivery of technical cooperation activities.

75. **Mr. GAISENAK** (Belarus) expressed support for UNIDO's active assistance to developing countries and countries with economies in transition in creating and enhancing their industrial potential, attracting investment, commercializing technology, assisting small and medium enterprises, promoting energy efficiency and developing industrial waste management systems. Welcoming the first annual high-level Regional Conference on Technology Foresight, organized by the Secretariat and the Hungarian Government, he expressed the hope that future conferences would be expanded to include a wider range of countries.

76. UNIDO had taken commendable steps to mobilize funds for programme activities from international sources and donor countries and organizations. Belarus had recently settled a considerable proportion of its arrears and was about to sign a payment plan with the Organization with a view to recovering its right to vote. The Government greatly appreciated the sending of a UNIDO mission to Belarus in July 2003 to work out a draft programme of cooperation taking into account the priorities set by national institutions. Priority areas included support for investment in science and technology, ecologically sound industrial production and SMEs. The programme would lay the basis for systematic practical cooperation with UNIDO in the future.

77. The Government of Belarus also appreciated UNIDO's competent and effective technological assistance for the promotion of energy efficiency and technology transfer. It supported the draft programme and budgets for 2004-2005 and commended the user-friendliness and transparency of the documents placed before the Board.

78. **Ms. H. MOHAMMED** (Ethiopia) said that UNIDO's continuous modernization efforts would ensure that its resources were used more efficiently and that its assistance to developing countries was more effective.

79. The focus on integrated programmes had enabled Ethiopia to make more efficient use of its resources. The Government attached great importance to cooperation with UNIDO, which had attained high visibility in her country. Some 80 per cent of the budget earmarked for the integrated programme had been secured. The agreement to focus on food, leather and textile products and on developing the private sector was welcome.

80. She thanked Austria, Denmark, Finland, Ireland, Italy, Japan, the Netherlands, the Republic of Korea, Switzerland and UNDP for their assistance in financing the integrated programme.

81. She strongly believed that greater use should be made in integrated programmes of national consultants and experts; that could save time, minimize costs and ensure better results, while at the same time increasing the experts' skills.

82. Ethiopia was grateful to UNIDO for transferring the 2002 budget for a post-harvest project to humanitarian assistance to deal with the major drought that had affected the country.

83. The increase in the rate of collection of assessed contributions was to be welcomed, but every effort should be made to control budget increases. The large number of Member States without voting rights was a matter of concern. She urged Member States in arrears to pursue the option of a payment plan. The Director-General should continue to report on experience with incentive measures for the payment of arrears.

84. UNIDO should step up its efforts to promote access to world markets for developing countries and economies in transition and to attract foreign direct investment (FDI) to those countries.

85. While UNIDO's intention to promote bio-technology innovation to increase the production of food and other agricultural products was welcome, care was needed because misuse of such technology could have a negative impact on the ecology of the whole world.

86. Africans had come to realize that the key to development was in their own hands. At the same time, a partnership based on mutual interest, shared commitments and binding agreements was needed. UNIDO had committed itself to the New Partnership for Africa's Development (NEPAD) and to South-South cooperation, but she strongly believed that a great deal more could be done, for instance in the areas of capacity-building, attraction of FDI, technology transfer and food security.

87. **Mr. SAMODRA SRIWIDJAJA** (Indonesia) noted the efforts made to reform UNIDO and

appreciated the Organization's initiatives at major international conferences. He hoped that those efforts would lead to a strengthening of UNIDO's comparative advantage, broaden its financial resource base and yield concrete benefits for Member States through effective implementation of sustainable development programmes and projects. Fund mobilization was a key prerequisite for implementation of integrated programmes and country service frameworks. He therefore called for closer cooperation among stakeholders—all units of UNIDO at Headquarters and in the field, investment and technology promotion offices (ITPOs), donors and recipient countries.

88. Indonesia particularly appreciated UNIDO's support for sustainable industrial development in the context of the recent multidimensional crisis that had led, inter alia, to the flight from Indonesian capital markets of some US$ 16 billion within a few months. As a result of the decline in output, the rise in unemployment and inflation, the rate of absolute poverty had increased to 25 per cent. According to the World Bank, a further 25 per cent of the population faced the threat of falling into poverty. He strongly believed that developing countries should be helped to eradicate poverty as the true root of instability, through support by the international community for their sustainable industrial development.

89. The Country Service Framework for Indonesia signed in November 2002 focused on support for the development and growth of SMEs and for energy efficiency and environmentally sustainable industrial development. Priority was being given to projects for the eastern region of Indonesia, to empower the local society. Effective implementation of the Framework projects called for determined action to mobilize the requisite funds.

90. Turning to the medium-term programme framework, he welcomed the thematic initiatives aimed at facilitating market access, developing rural energy for productive use and assisting in post-crisis recovery and rehabilitation. He also welcomed the establishment of an informal consultative group to assist the Director-General in implementing the initiative on trade and market access facilitation.

91. He hoped that UNIDO would continue to recognize the special needs of SMEs, taking into account their heavy reliance on trading or distribution intermediaries for product development, marketing, raw materials, intermediate inputs and working capital.

92. **Mr. V. G. GARCIA III** (Philippines) said that the new UNIDO Representative in the Philippines had played an active role in developing assistance programmes for the country through coordination with governmental authorities and private-sector organizations. The Organization's activities in the country had been given additional impetus by the Director-General's visit in November 2002. A draft country service framework focusing on the development of SMEs, the environment and energy-related programmes had been produced and a UNIDO programming mission was shortly expected to visit the country to validate the draft with government partners, private organizations and other stakeholders.

93. The performance of the Philippine economy in recent years had exceeded even the Government's optimistic targets, largely owing to policies that had created a stable macroeconomic environment as well as structural and productivity-enhancing industrial reforms. Growth had been driven by manufacturing, mining and oil, construction and SMEs. UNIDO's Industrial Development Report 2002 recognized the country's remarkable progress in terms of industrial development during the past decade. He supported the plan to focus in the next Industrial Development Report on UNIDO's contribution to achievement of the Millennium Development Goals.

94. Regarding the implementation of the medium-term programme framework (IDB.27/17), his delegation appreciated the inclusion of the Philippines among target countries for important programmes such as those concerning cleaner production and technology foresight. It encouraged the Organization to finalize its plans for the implementation of the programmes concerned as soon as possible. The Philippines supported the revised proposal for the 2004-2007 medium-term programme framework, which should follow the programmatic lines of the current framework. With regard to the Joint Inspection Unit's recommendation for a long-term strategic plan, his country felt that the Business Plan and the medium-term programme framework served as adequate guides for the Organization. He urged the Secretariat to finalize its work on performance indicators and an evaluation system to analyse the effectiveness of UNIDO programmes in Member States.

95. He requested a report on action taken on the recommendations of the External Auditor, especially regarding the development of a results-based management system and the setting of clear lines of responsibility for the Comptroller General's Office and its internal oversight activities.

96. He supported the development of new initiatives to be launched at international development conferences and appreciated the practice of consulting Member States on the initiatives to ensure that they were in line with priorities.

97. The Philippine delegation to the recent meeting of the Global Environment Facility Council had expressed support for the restoration of UNIDO's privilege of

direct access to GEF funds, given its status as an "executing agency with expanded opportunities".

98. He encouraged the Secretariat to explore innovative repayment schemes for Member States in arrears. As most of them were developing countries, the proposal to introduce penalties might unduly burden the States concerned.

99. He thanked the Asian Group for supporting the Philippine candidacy for the post of External Auditor and asked Member States to give it their favourable consideration. He noted in that connection the Joint Inspection Unit's recommendation on term limits for the External Auditor in the light of the need to balance continuity and impartiality.

The meeting rose at 6.25 p.m.